STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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November 3, 2014 Agenda ID #13441
Quasi Legislative

TO PARTIES OF RECORD IN RULEMAKING 12-11-005:

This is the proposed decision of Commissioner Michael R. Peevey. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 6, 2014 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ TIMOTHY J. SULLIVAN
Timothy J. Sullivan
Chief Administrative Law Judge (Acting)

TJS:vm2

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER PEEVEY**
(Mailed 11/3/14)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	Rulemaking 12-11-005 (Filed November 8, 2012)

DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, AND SOUTHERN CALIFORNIA GAS COMPANY TO CONTINUE TO COLLECT FUNDS FOR THE SELF GENERATION INCENTIVE PROGRAM PURSUANT TO PUBLIC UTILITIES CODE SECTION 379.6 AS AMENDED BY SENATE BILL 861

Summary

Pursuant to Public Utilities Code Section 379.6,[1] this decision authorizes Pacific Gas and Electric Company, Southern California Edison Company (SCE), San Diego Gas & Electric Company, and Southern California Gas Company to continue to collect amounts through rates necessary to fund the Self-Generation Incentive Program (SGIP) at an annual budget of $55 million for year 2015 and $83 million annually for years 2016, 2017, 2018, and 2019. SCE is allowed to suspend collections for 2015. SGIP will operate under the existing rules until the California Public Utilities Commission implements the directives in Senate Bill

1 All code section references are to the Public Code unless otherwise indicated.

(SB) 861 (Budget Act of 2014, Stats. 2014, ch. 35) to modify SGIP. The $55 million in year 2015 and the $83 million annually in years 2016 through 2019 will continue to be collected by the IOUs at the current allocations as set forth in Decision (D.) 06-12-033 and D.06-01-024.[2] We will address the modifications to SGIP, required by SB 861, in a separate decision.

1. Background

On June 20, 2014, the Governor signed Senate Bill (SB) 861, which, among other things, amended Section 379.6 to extend the Commission's ability to authorize Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (collectively referred to herein as investor-owned utilities or IOUs) to administer the Self-Generation Incentive Program (SGIP) through January 1, 2021 and to collect from ratepayers an annual budget not to exceed the 2008 budget, i.e., $83 million a year, through December 31, 2019. SB 861 also directed the Commission to implement certain modifications to the SGIP.[3] This bill became effective immediately.

The SGIP has been in existence since 2001. The Commission created SGIP in Decision (D.) 01-03-073 in response to Section 399.19 (AB 970).[4] AB 970

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[2] Rulemaking (R.) 06-03-004, D.06-12-033 *Opinion Modifying Decision 06-01-024 and Decision 06-08-028 in Response to Senate Bill 1* at 32-33 (December 14, 2006), citing to D.06-01-024 at 20.

[3] On September 27, 2014, Assembly Bill (AB) 1478 (Committee on Budget, Stats. 2014, ch. 664) was signed into law and become effective immediately. AB 1478 modified the provisions of Section 379.6 related to eligibility for SGIP incentives and performance measures to evaluate the success of SGIP. AB 1478 did not address the topics in this decision. The matters set forth in AB 1478 will be addressed by the Commission in a separate decision.

[4] AB 970 (Ducheny, Stats. 2000, ch. 329).

directed the Commission to provide incentives for the distributed generation resources. In 2003, the Legislature passed AB 1685 (Leno, Stats. 2003, ch. 894.), which, among other things, added Section 379.6 and extended the SGIP through 2007. Since 2007, the Legislature has repeatedly passed legislation extending the SGIP.[5]

In response to these legislative directives, the Commission has issued a series of decisions, commencing in 2008, to implement the legislation. The Commission has acted to establish an $83 million annual budget for SGIP and to direct the IOUs to collect the SGIP budget.[6] The Commission has also allocated the total budget of $83 million among the IOUs. Currently, the Commission has acted to authorize collections through December 31, 2014 in the following percentages and amounts:

SGIP Annual Budget Allocation for 2010-2014 (based on D.08-01-029)

Utility	Annual SGIP Budget
PG&E	$36 million
SCE	$28 million
SDG&E	$11 million
SoCalGas	$8 million
Total	$83 million

5 SB 412 (Kehoe, Stats., 2009, ch. 182) authorized collections for SGIP up to $83 million for 2010 and 2011. AB 1150 (Perez, Stats., 2011, ch. 310) extended authorization for SGIP collections of the same amount, $83 million, through 2014.

6 D.08-01-029 (establishing the 2008 budget and allocations); D.09-01-013 (continuing the 2008 budget and allocation for 2009); D.09-12-014 (continuing the 2008 budget and allocation for 2010 and 2011); D.11-12-030 (continuing the 2008 budget and allocation for 20120, 2013, and 2014).

2. The September 23, 2014 Assigned Commissioner Ruling (ACR)

On September 23, 2014, the assigned Commissioner issued a ruling (September 23, 2014 ACR) responding to the directives in SB 861. The ruling proposes that the Commission continue to require PG&E, SCE, SDG&E, and SoCalGas to collect from ratepayers the full annual amount, $83 million, for SGIP in 2015, 2016, 2017, 2018, and 2019. The ruling also proposes that these collections from ratepayers be made according to the same allocation currently adopted in D.08-01-029,[7] and shown in the table above.[8]

The September 23, 2014 ACR asked parties to address the following:

1. Should further collections be authorized for the SGIP, and why or why not? If yes, should further collections be authorized for all years 2015, 2016, 2017, 2018, and 2019?
2. If further collections are authorized, should the full $83 million per year be authorized for each year, why or why not?
3. If further collections are authorized, should the current annual budget allocation be continued, and why or why not? If not, propose an alternative methodology for calculating the allocation with details regarding proposed calculations, a justification for the change, and expected outcomes from the alternative methodology.

Parties filed comments on October 15, 2014 and reply comments on October 20, 2014 in response to the September 23, 2014 ACR.[9] Below, we address

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[7] R.06-03-004, D.08-01-029, *Opinion Adopting Self Generation Incentive Program Budget for 2008* (February 1, 2008).

[8] The IOUs administer the SGIP, except for SDG&E. The Center for Sustainable Energy administers the SGIP within SDG&E's service territory.

[9] On October 15 and 20, 2014, the following parties filed comments: Bloom Energy, California Clean DG Coalition, California Solar Energy Industries Association, California Energy Storage

Footnote continued on next page

the amendments to Section 379.6 enacted by SB 861 that: (1) extend authorization for collections through 2019 and (2) authorize an amount not to exceed $83 million. We do not address any other aspects of SB 861 that direct the Commission to modify SGIP by July 2015. We will address program modifications directed by SB 861 in a separate decision.

3. Amount to Collect from Ratepayers and Time Period

SGIP collections of $83 million per year are currently authorized through 2014. The Commission is authorized by SB 861 to extend annual collections by the IOUs for SGIP through December 31, 2019, at not more than the amount authorized for SGIP in 2008, or $83 million.

Parties favor extending the funding of the SGIP by the full amount permitted under SB 861, $83 million. Parties support continuation of collections for the program at current levels and with the current allocation (as set forth in the above table), with the qualification that SCE requests authorization to suspend collections for the program year 2015. SCE notes that it has a balance, as of September 30, 2014, of $191 million in its SGIP Incremental Cost Memorandum Account, in contrast with its annual SGIP collections of $28 million. Because of this surplus, SCE states it will not run out of funding if collections are suspended in 2015.

ORA opposes further collections from ratepayers at this time. ORA requests that the Commission not authorize further collections for SGIP and, instead, that the IOUs use the current SGIP balance of $198 million to fund the program through the remainder of 2014, 2015 and 2016. ORA suggests that,

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Alliance, Center for Sustainable Energy, Office of Ratepayer Advocates (ORA), PG&E, SCE, and SoCalGas.

when the balance is reduced, the Commission should re-evaluate whether the SGIP annual funding amount is appropriate, based on any surplus still existing, to determine when the IOUs should start collecting again from ratepayers. In the alternative, ORA proposes that, if the Commission decides to authorize the IOUs to continue to collect from ratepayers, the Commission adopt annual funding levels that reflect the existing surplus, $0 for 2015, $0 for 2016, and $83 million for 2017, 2018, and 2019.

We continue to find value in the program and expect this value to continue through 2019. Specifically, we agree with parties that the program supports the goals of Section 379.6 to increase the deployment of distributed generation and energy storage systems, to facilitate the integration of those resources into the electrical grid, improve efficiency and reliability of the distribution and transmission system, and reduce emissions of greenhouse gases, peak demand, and ratepayer costs.

We will therefore continue to direct the IOUs to collect funds from ratepayers for years 2015, 2016, 2017, 2018, and 2019 as authorized by SB 861. We find SCE's request reasonable to suspend collections in 2015 due to the size of its existing surplus. Accordingly, PG&E, SDG&E, and SoCalGas are directed to collect the maximum authorized amount from their ratepayers to fund SGIP in 2015 (approximately $55 million based on the existing allocation among the IOUs) and all four IOUs are directed to collect the maximum authorized amount of $83 million from 2016 through and including 2019. The IOUs are permitted to file a Tier 2 Advice Letter to suspend collections if a budget surplus renders further collections unnecessary for a significant period of time.

4. Allocation Methodology

Parties generally support retaining the current allocation methodology. In D.06-12-033 we found it reasonable to rely on the percentages associated with each utility's proportionate share of energy efficiency funding.[10] We reaffirm this finding today and adopt the same allocation methodology. The annual total amount of $83 million, with the exception of 2015 as described above, is allocated among the IOUs as determined in D.06-01-024 and D.06-12-033.[11]

5. Miscellaneous Matters

The Commission has the authority to issue an order terminating collections by IOUs for any reasons. Any funds in SGIP remaining and unspent at the end of the program shall be returned to ratepayers. IOUs are permitted to carry over any surplus collection year to year, because due to the short-term nature of the authorizations granted today (2015 through 2019), we do not find that today's ratepayers will pay for benefits that future ratepayers will receive.

6. Motions for Party Status Granted

Fuel Cell and Hydrogen Energy Association filed a motion for party status on October 20, 2014. Custom Power Solar filed a motion for party status on August 6, 2014. These motions are granted.

7. Comments on Proposed Decision

The proposed decision of Commissioner Peevey in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and

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[10] R.04-03-017, D.06-01-024 *Interim Order Adopting Policies and Funding for the California Solar Initiative* (January 12, 2006) at 20.

[11] R.06-03-004, D.06-12-033 *Opinion Modifying Decision 06-01-024 and Decision 06-08-028 in Response to Senate Bill 1* at 32-33 (December 14, 2006), *citing to* D.06-01-024 at 20.

comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ________________, and reply comments were filed on __________________ by ________________________.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Regina M. DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SGIP supports goals of Section 379.6, to increase deployment of distributed generation and energy storage systems, to facilitate the integration of those resources into the electrical grid, improve efficiency and reliability of the distribution and transmission system, and reduce emissions of greenhouse gases, peak demand, and ratepayer costs.
2. SCE's projects a surplus in 2015, and it can operate its program on its existing surplus during 2015.
3. The current allocation method for SGIP is based on the allocation method adopted by the Commission for energy efficiency funding, set forth in D.06-12-033 and D.06-01-024.

Conclusions of Law

1. It is reasonable to continue to direct the IOUs to collect the highest amount of $83 million annually from ratepayers for years 2016, 2017, 2018, and 2019, because we continue to find that SGIP supports the goals of Section 379.6 and expect this to continue through 2019.
2. SCE's request to suspend SGIP collections in 2015 is reasonable because of its projected surplus and because it can operate its program on the existing surplus.

3. PG&E, SDG&E, and SoCalGas should collect their share of the maximum allowable amount of $83 million for 2015, (*i.e*. $55 million), because we continue to find that SGIP supports the goals of Section 379.6.

4. All four IOUs are directed to collect the maximum authorized amount of $83 million annually from 2016 through 2019.

5. The allocation of the $83 million annual authorization among PG&E, SCE, SDG&E, and SoCalGas is reasonable because it is based on the proportionate share of energy efficiency funding, per D.06-12-033 and D.06-01-024.

6. The motions for party status filed by Fuel Cell and Hydrogen Energy Association and Custom Power Solar should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Sothern California Edison Company, San Diego Gas &Electric Company, and Southern California Gas are directed to collect $83 million from ratepayers annually in 2016, 2017, 2018, and 2019 to support the Self-Generation Incentive Program.

2. Collections for the Self-Generation Incentive Program shall be allocated among Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas &Electric Company, and Southern California Gas in the amounts determined by Decision 06-12-033 and Decision 06-12-024.

3. Southern California Edison is directed to suspend collections for the Self-Generation Incentive Program in 2015. Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Gas shall collect a

total of $55 million in 2015 from ratepayers to fund the Self-Generation Incentive Program.

4. The motions for party status filed by Fuel Cell and Hydrogen Energy Association and Custom Power Solar are granted.

5. Rulemaking 12-11-005 remains open.

This order is effective today.

Dated ____________________________, at San Francisco, California.